

Go-to-Market Strategy for eMeter in EMEA

Work Project

June 2014

Disclaimer

The following Work Project is produced solely for Nova SBE and is not to be disseminated by any means besides those absolutely necessary for grading purposes as the IBP that served as a basis for this report encompassed a confidentiality clause. Nevertheless, the IBP report and this Work Project do not exclude all confidential information, as they are crucial for an accurate understanding of the project.

Executive Summary

The International Business Project (IBP) that served as a basis for this report concluded that Siemens' product house, eMeter, should enter the UK water market within the next 12-months by targeting water utilities as their customer. As a parallel finding, the IBP identified misalignments between eMeter and its mother-company. This Work Project identifies that potential outcomes of this relationship could include demotivation of employees, unclear vision and even the possibility of separation between eMeter and Siemens. However it also concludes that the potential benefits of aligning both parties may lead to significantly strengthening their position in the Smart Grid market, by allying eMeter's leadership in meter data management with Siemens' financial and human capital.

This Work Project identifies the internal misalignments as a problem of corporate culture, considering that the main causes include miscommunication, resistance to change, high dissimilarity between Siemens and eMeter's original corporate culture and difference in perceptions of both parties. This report suggests that Siemens and eMeter adopt a *compete-oriented* culture as an external positioning in the market and a *collaborate-oriented* culture directed towards internal operations. The study concludes that it is necessary to (i) restructure the hierarchical scheme between the US and Europe, which is essential to develop a coherent culture, (ii) focus on Siemens' network to establish partnerships that reach water utilities in the UK and (iii) leverage on synergies between eMeter and Siemens, such as human resources, in order to facilitate the successful implementation of the IBP strategy.

Table of Contents

| | |
|------------------------------|----|
| Business Project..... | 3 |
| Further Study | 5 |
| Original Approach | 5 |
| Limitations | 6 |
| New approach | 7 |
| Reflection on Learning | 11 |
| Previous knowledge | 11 |
| New knowledge | 11 |
| Personal experience | 12 |
| Benefit of hindsight | 12 |
| Appendices | 13 |
| References | 17 |

Business Project

The International Business Project (IBP) that serves as a basis for this Work Project was conducted for Siemens' subsidiary in The Hague, in association with Rotterdam School of Management (RSM). Siemens requested the development of a go-to-market strategy for one of their product houses: eMeter.

eMeter was founded in Silicon Valley in 1999, developing a product called the EnergyIP. This is a meter data management (MDM) software that stores and manages vast quantities of data that can be imported from large utilities, residential, commercial or industrial establishments (further explained in Appendix I). By implementing meters and the EnergyIP software throughout the distribution chain of water, the outflow of water from utilities and inflow of water to their clients can be monitored. This allows for a continuous control of water distribution, enabling the identification of leakages. It is estimated that metering water throughout Europe, with software such as eMeter's, could potentially represent a market worth US\$13-billion by 2020 (Frost & Sullivan, 2011).

Siemens is a multinational engineering and electronics conglomerate that acquired eMeter in 2011 to become part of one of their divisions¹, Infrastructures and cities, which develops Smart Grid solutions for intelligent network infrastructures². By then eMeter had established itself in the US electricity, gas and water market. However, the Energy IP entered a mature stage in these increasingly saturated markets and Siemens was the opportunity to expand into the European electricity and gas market. In 2014, Siemens recognizes the water market as a further opportunity for eMeter's expansion in Europe, Middle East and Africa (EMEA). Although it is possible that the water market will develop similarly to that of electricity and gas (due to the increasing concern of saving water, as well as energy), there are some significant differences between both segments. Firstly, the water industry wants simpler technological solutions (e.g.: there is not the need for real-time-data in water) and secondly, the market growth is slower, as less regulation has been enforced on water than on electricity so far. Although eMeter's product could potentially enter the water market, due to the differences between

¹ Siemens is divided into four divisions: Infrastructures and cities, Industry, Energy and Healthcare.

² Smart Grid solutions involve intelligent networks that help to generate and use power more efficiently, to meet increased energy needs (by integrating all forms of power generation and ensuring communication flows between suppliers and consumers).

electricity and water, it is unlikely that they could benchmark from their current activity. Therefore, Siemens requested the development of a market entry strategy for eMeter in the EMEA water market.

Since this deliverable was extremely ambitious, considering a market that is just beginning to develop and with a time frame of four months, it was very important to deconstruct the request. This process led to the identification of four main questions, namely “Where should eMeter enter?” (scoping down the large EMEA region into a specific country), “Who should eMeter target?” (identifying which customer would be most important to target within the previously identified country), “Why do customers need eMeter?” (developing eMeter’s value proposition based on the targeted customer) and “How should eMeter enter?” (identifying the most adequate market entry model). These became the focus of the project scope, and were investigated as an inverted pyramid, where the answer to the first question led to the analysis of the second, and so on so forth (as illustrated in Appendix II).

Based on an evaluation of the feasibility, customer needs and market profitability eMeter was advised to enter the UK water market. New regulation enforced in 2017 – the Water Bill – will expose the industrial retail segment to competition and it was therefore recommended that eMeter target water utilities through a consistent focus on their industrial clients. In the future, these clients will likely demand lower prices and eMeter can help water utilities become more cost-efficient, which in turn will enable them to offer lower prices to their end-customers.

The report concludes with a three-year timeline of actionable recommendations that should guide eMeter until the enforcement of the Water Bill in 2017. Overall, eMeter is advised to rethink its internal structures and penetrate the UK water market before moving into new geographies. In addition, the report encounters misalignments between eMeter and its mother-company, which could have significant implications for the successful implementation of the aforementioned recommendations.

Further Study

The further study on Siemens and eMeter's misalignment will begin by explaining the original approach to this topic in the IBP, identifying its limitations and concluding with the development of a new approach through an analysis framework (illustrated in Appendix III).

Original Approach

The International Business Project's approach to this topic was rather limited, for two main reasons: (i) it was a relatively unexpected conclusion, since this had never been mentioned as a concern, from the company's perspective, and it was an entirely new topic, regarding the main focus of the project; (ii) the scope of the project was quite broad in itself and focusing on a market entry strategy in only four months was already very ambitious, which obliged a strict delimitation of the focus area (regarding the geographic scope of the project, technical competencies of the team and further analysis on themes such as the relationship between Siemens and eMeter). Although this matter was only briefly described in the conclusions, it was an interesting finding since it could potentially become not only a problem for eMeter's strategy, but also a significant opportunity (as will be explained in more detail further).

The relationship was contextualized by reinforcing that eMeter is a start-up, largely dominated by an entrepreneurial culture, compared to that of the multinational conglomerate. Although this may appear redundant to an investigation of how to enter a water market it is central to the way in which eMeter sells its MDM software. For instance, eMeter sees no problem in selling smart meter technologies at a very low price point because the company expects to be able to recover such discounts by upselling innovative add-ons later. Siemens, on the other hand, emphasizes the importance of securing profits in the first place. Throughout the development of the Business Project it became clear that since the acquisition eMeter faced some problems in adapting to their new company.

The misalignments were originally observed within eMeter, through contradictions of sales representatives in different regions of Europe. Although it is natural that representatives of distinct geographic areas analyze different opportunities according to their specificities, it is important that in generic aspects they are aligned. An example of

this was the argumentation towards the calculation of total available markets and servable addressable segments. The fact that these were defined in different ways by different representatives prevented comparisons to be made between countries. Additionally, there was an observation of lacking communication between eMeter employees in Europe and those in the US. An example of this was found when interviewing eMeter's experts in regulation (who are mainly based in the US) on opportunities and upcoming regulation in Europe. Although this was their area of expertise, they were limited to knowledge regarding the water market in North America (even though there are significant changes in regulation occurring in Europe, which are very relevant for eMeter). What soon became clear was that eMeter in the US worked even more independently from Siemens (possibly due to geographic distance from the headquarters in Germany). The relevance of this matter for the IBP was the fact that the US water market is much more advanced and should be used as an opportunity for eMeter to benchmark this knowledge to Europe.

Besides identifying opportunities for improvements in internal knowledge sharing within eMeter it became clear that the larger problem was based on the relationship between eMeter and Siemens. This observation considers a bi-directional input, regarding Siemens' availability for sharing resources with eMeter and eMeter's efforts to leverage its mother-company's brand within the industry. Whilst on one hand, eMeter's organization was always available for sharing reports or arranging interviews, on the other hand, Siemens showed less involvement in the process. When requested for essential reports to devise eMeter's strategy in the water market or simply access to the internal knowledge database (where there is likely significant information regarding Smart Grid metering as Siemens has an entire division dedicated to it), this was not granted. Finally, it was evident in some "off-the-record" conversations with eMeter's employees that they would rather have eMeter separate from Siemens because of the way the relationship is being managed.

Limitations

A restriction to the original approach of Siemens and eMeter's misalignments was the fact that all conclusions were based on indirect observations, as the IBP's methodology was focused on developing the go-to-market strategy. This led the conclusions to be qualitative which prevented the report from focusing on actionable recommendations for this topic. Additionally, the time-frame required to conduct the IBP was very

limited, disabling the opportunity to conduct a data-collection process that could further support the qualitative conclusions achieved thus far. Finally, the confidentiality clause enclosed in the development of the IBP prevented the topic from being disclosed in more detail, regarding quotes or making references to specific individuals.

New approach

As previously outlined the misalignments between eMeter and its mother-company can be seen as a potential problem if not solved. Consequences would likely include demotivating employees (particularly in eMeter, as was observed throughout the development of the IBP), possibly establishing an unclear vision and in an extreme case cause the companies to separate – since cultural incompatibility between acquirers and targets has been shown to be an important reason for merger failures (Bouwman, 2013). This scenario would not only be problematic in destroying shareholder value but also regarding the opportunity cost of losing significant benefits from their alliance. These were very evident for both companies, since the beginning of their relationship in 2011. For Siemens, it represented an opportunity to strengthen its position in the Smart Grid market, since eMeter was the leader in MDM application software. For eMeter, Siemens was the chance to receive the necessary investment (in people, technology and operations), in order to significantly strengthen their position in the market. According to eMeter's CEO at the time, a combined portfolio of Siemens' products and solutions and eMeter's software represented a unique and complementary offering to their customers (Krampe, 2008).

Although it would have been crucial to study the potential benefits and risks of this acquisition in the preparation phase (Sherman, 2006), it may also be beneficial to do so before implementing a new strategy, such as the one proposed in the IBP. If eMeter is to enter the UK market, as a Siemens brand, it is necessary to ensure that both parties are aligned. This includes allowing eMeter to benefit from synergies, such as the sharing of market knowledge (since Siemens is already established in the UK electricity market and could leverage its partners to mediate the relationship with water utilities), but more importantly, ensuring that the company culture is coherent.

As previously identified the cultural misalignment has been occurring in three main situations: (i) the contradictions generated among eMeter's sales representatives, (ii) eMeter's executives in the US focus only on their region, (iii) Siemens is managing

eMeter as a distinct company with separate human capital and operations. In sum, although the acquisition should have joined both companies financially and culturally this was only the case for the first.

Before understanding the potential causes for this cultural problem it is essential to understand what culture means within an organization. According to Organizational Behavior literature, it refers to the organization's personality, shared beliefs, values, and behaviors, describing the way things are done within the organization (Bouwman, 2013). Now, this immediately brings out the potential for problems, when two distinct companies such as Siemens and eMeter, with completely different cultures, set out to become one. What often occurs, according to Cartwright and Cooper (1993), is that depending on how much integration and culture change is needed, mergers will fall into one of three types: *extension mergers* (where differences in culture between merger partners are accepted and viewed as rather unimportant), *collaborative mergers* (which aims at integrating both cultures to create a "best of both worlds" culture), or *redesign mergers* (the most typical merger scenario in which the acquirer is the dominant partner that intends to replace the culture of the smaller). In this particular case, the latter would be the most likely considering that Siemens was the company acquiring eMeter and due to the massive difference in size between both companies. However, none of these situations can clearly be identified, as different stakeholders have different opinions regarding the relationship between both merging companies. The prevalent idea of eMeter's stakeholders was that this had been a case of "extension merger", accepting that both companies continue co-existing as they are, even though eMeter now belongs to Siemens. However, Siemens has shown a different attitude by controlling all processes that eMeter is involved in. Due to these distinct perceptions between both parties, the apparent misalignments can clearly be considered as a problem of corporate culture.

The first cause of this corporate culture problem can be immediately identified as a problem in communication. The fact that none of eMeter's stakeholders seem to know what happened to their company and how it is positioned regarding culture is inevitably a cause for the problematic relationship of both parties. Additionally, what became evident throughout the development of work within Siemens' offices and the interviews conducted with eMeter's employees was that they seem to be facing three of the main causes for issues in any merger (Cartwright & Cooper, 1993): (i) one merger partner

does not recognize the other's perception of the relationship; (ii) culture changes that are perceived to impose more control on employees are resisted more; (iii) the greater the degree of dissimilarity in cultures, the harder the integration.

Based on the "Competing Values Framework", proposed by Cameron, DeGraff, Quinn, and Thakor (2006) there are four main option of corporate culture to develop (explained in detail in Appendix IV). The framework suggests that although aspects of all four quadrants are typically present in any organization, there is usually one or two that dominate. The application of this framework is meant to accompany the role of leadership, in order to reflect on the organization as a whole – as has been applied to companies such as Phillips Corporation and Reuters. For the purpose of Siemens and eMeter, the proposal of aligning their corporate cultures is based on two of the framework's dimensions. First, the *compete-oriented* culture, as this was the original rational why both companies merged. This type of culture focuses on external competitiveness, market share and shareholder value. It should therefore be the backdrop that Siemens and eMeter pursue to achieve their ultimate goal of gaining a competitive advantage in the Smart Grid market. Second, it would also be important for Siemens' leadership to ensure an internal culture of *collaboration*. This dimension focuses on developing people and building cohesion. It would be an essential first step for eMeter and Siemens to develop a combined sense of culture in order to successively focus on their competitive strategy, which may then be pursued with joint resources to achieve their common goal.

The main recommendations regarded in the IBP focus on the immediate entry in the UK market. However, to do so, they must partner with a company that fits the developed profile – technologically competent vendors, with knowledge in water. It is therefore extremely important that they benefit from Siemens' network to identify and address such potential partners. Additionally, eMeter is in need of having an employee specialized in EU regulation (since its current expert focuses only on the US). In order to maximize the efficiency of resources among both firms, it would be optimal to train Siemens' experts in European regulation on the specificities of the water market rather than hiring someone new to work exclusively for eMeter. Finally, the observation of the Middle East (ME) as a potential medium-term market to enter will require further *in loco* research in the region due to its very specific water market. Siemens has an established subsidiary within the ME and could therefore use its local network to

investigate on possibilities of entering such a market with eMeter's product. Overall It is recommended that Siemens and eMeter improve their relationship by initially merging their resources, particularly their people, by restructuring their hierarchical organization, fragmented between the US and Europe, in a way to improve communication and ultimately develop a sense of common culture. This will more easily allow for the accomplishments of common goals to be achieved, such as the successful entry in the EMEA water market.

Reflection on Learning

The International Business Project lasted four-months, in total, and was a significant learning experience both through a professional and personal perspective. Although I had previous experience in consulting, the IBP was the first situation where it was necessary to develop a project with four other students, who all had the same amount of control and responsibility within the project. The complexness of the project required the use of previous knowledge, learning many new concepts, and an immense team effort to accomplish the final deliverable.

Previous knowledge

One of the areas of my Master that became particularly relevant for this IBP was Strategy, since the final deliverable was a go-to-market strategy. It was essential to understand concepts such as *first-mover advantage* (since eMeter intended to gain advantages from being the first player to significantly penetrate the water market in EMEA) but also the concept of *competitive advantage through differentiation* (eMeter can be the solution for water utilities to differentiate from competition by becoming more cost-efficient). Another very important subject of my Master was Marketing. Developing eMeter's *value proposition* was essential to identify how it had to be marketed, affecting its mode of entry. Here, the concepts of developing the *product* (understanding how eMeter's features had to be adapted from electricity to water) and defining its *placement* (identifying the most appealing distribution channels to attract their target customers) were also essential. Furthermore, the concepts acquired from my International Business course were very useful to apply in the in-depth analysis of choosing one country within the EMEA region, by understanding *economic factors* (such as water tariffs), *physical dimensions* (such as water infrastructure) or even *cultural boundaries* (from a North American product, acquired by a German multinational). Focusing on the former, I constantly used insights gained in Global Human Resource Management, particularly *corporate culture*, regarding *mergers and acquisitions*.

New knowledge

One of the main concepts that I learned throughout this IBP was how to develop a consulting structure from its origin, since in my previous experiences I had pre-defined models to apply. This required research on consultancy practices, but also plenty of

creativity to develop a new methodology process, adapted to the specificities of this IBP. Besides this academic knowledge, I also gained a practical value from project management when developing a database with the deliverables, dates and team members in order to organize and direct efforts. This became extremely useful to monitor the group and to ensure that all stages of the project were completed successfully. Finally, one of the most interesting outcomes of this experience was the relationship developed with the client. Since we were the direct point of contact with eMeter and Siemens' stakeholders it was necessary to learn how to best approach them, leverage on their knowledge and, most importantly, deliver specifically what was requested of us.

Personal experience

Throughout this project my motivations regarded both the input towards developing an exceptional project, but also focusing on the relationships within the team in order to maximize my learning and personal experience. Based on my colleagues' feedback, my strengths include being very communicative and people-oriented, which facilitated the process of adaptation to others, regarding cultural differences, but also in mediating occasional misunderstandings among the group. However, my weaknesses include being very controlling and extremely detailed-oriented. Since I consider feedback very seriously I planned to focus strongly on improving for the future, by not only being transparent to make people aware of my characteristics, but also making an effort to "give-in" when appropriate.

Benefit of hindsight

Overall, this IBP brought significant value to the company, according to the Client's feedback. However as in any project there was some room for improvement. As an example there were evident problems with availability of information. On a more critical view, I should have anticipated this earlier, since the requested strategy was based on a very new/almost non-existing market. However, it is also relevant to point out that once we did realized this, we were extremely proactive and did not stop until solutions or alternatives were found. Finally, regarding the relationship with our client, we continuously tried to identify his needs and wants, deliver a report that fit all his requisites and be available for all requested meetings. It was a new experience, but very fulfilling, and in my understanding with a great outcome for both parties.

Appendices

Appendix I – eMeter’s Energy IP

eMeter EnergyIP is the meter data management platform upon which all of eMeter’s Smart energy and water solutions are built. EnergyIP has the most large-scale, mass-market deployments in the utility industry, and has become the standard MDM solution to meet the needs of today’s and tomorrow’s utility.

Source: eMeter, A Siemens Business (2014), EnergyIP Platform

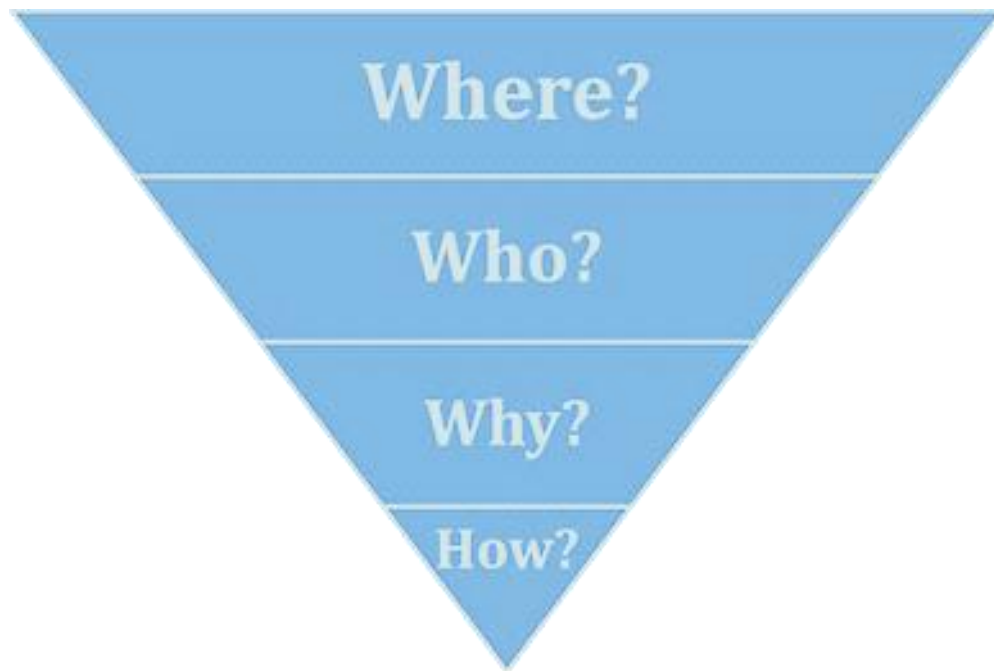


Energy IP is an integration platform that collects, processes and merges consumption data with a wide range of data sets and operations within the utility. It serves as the underlying data infrastructure for a wide range of applications like outage management, asset optimization, demand response, and consumer engagement.

Source: eMeter, A Siemens Business (2014), EnergyIP 8 – An Application-Centric Approach to Innovating Business Processes

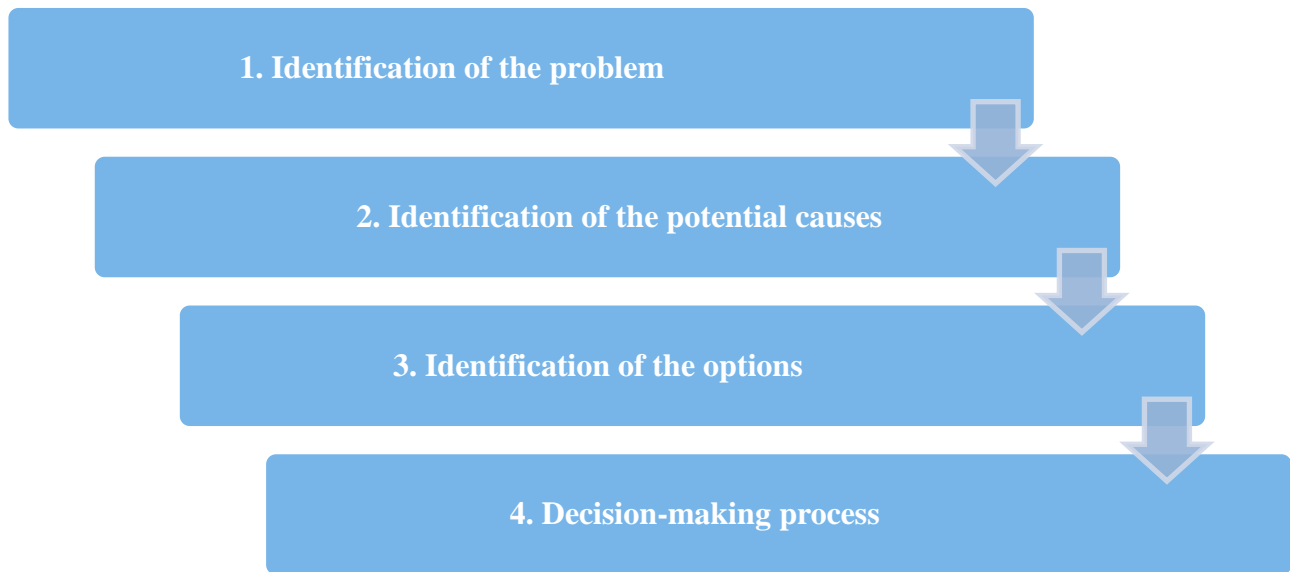
Appendix II – Inverted pyramid for IBP Analysis

The inverted pyramid illustrates the continuous funneling of the research approach, where the answer of the previous question is necessary to address the following.



Source: *International Business Project (2014)*

Appendix III – Analysis framework for new study

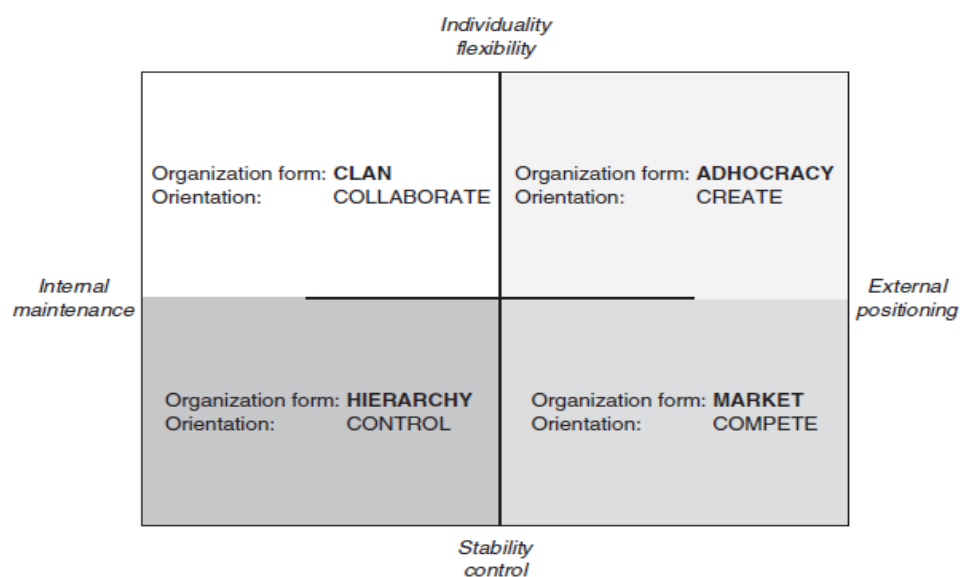


Source: Adapted from Baaij (2014) and IBP (2014)

Appendix IV – Competing Values Framework

The framework has four quadrants, each of which stands for a particular type of corporate culture. A collaborate-oriented culture focuses on building skills, developing people, building cohesion via consensus, and strengthening satisfaction through involvement (human development, empowerment, commitment). Considerable attention is given to teamwork, decentralized decision-making, and training and development. A create-oriented culture focuses on product, process and service innovation. Emphasis is put on coming up with innovative product line extensions, radical new process breakthroughs, developing new technologies, etc. A control-oriented culture focuses on improving efficiency by implementing better processes. A great deal of emphasis is put on cost and productivity enhancements, decreases in manufacturing cycle time, efficiency improvement measures, risk abatement, etc. A compete-oriented culture pursues competitiveness to the fullest. The focus of attention is external competitiveness that is measured by customer satisfaction, market share, sales, shareholder value, and so on. This framework yields important insights. While aspects of all four quadrants are typically present in any organization, one or two aspects typically dominate. For example, while one firm may be strong in the Control quadrant, another may excel in the Create quadrant.

Source: Adapted from Bouwman (2013)



Source: Cameron, K., Quinn, R., DeGraff, J., &Thakor, A. (2006)

References

Print

Baaij, M. (2014). *An introduction to management consultancy*. London, UK: SAGE.

International Business Project. (2014). *Go-to-Market Strategy for eMeter in EMEA*. The Rotterdam, The Netherlands: CEMS – Global Alliance in Management Education.

Sherman, A. (2006). *Mergers & Acquisitions From A to Z* (2nd ed.). New York, USA: Amacom.

Websites

Bouwman, C. (2013). *The Role of Corporate Culture in Mergers & Acquisitions*. Retrieved June 14, 2014, from http://mba.americaeconomia.com/sites/mba.americaeconomia.com/files/paper_2.pdf

Cameron, K., & Quinn, R. (2006). *Diagnosis and Changing Organizational Culture*. Retrieved 15 June 2014, from <http://faculty.mu.edu.sa/public/uploads/1360857498.3015organizational%20cult156.pdf>

Cameron, K., Quinn, R., DeGraff, J., & Thakor, A. (2006). *Competing Values Leadership*. Retrieved June 15, 2014, from <https://lib.nu.edu.sa/uploads/m1/16.pdf>

Cartwright, S., & Cooper, C. (1993). *The Role of Culture Compatibility in Successful Organizational marriage*. Retrieved 13 June 2014, from [http://karhen.home.xs4all.nl/Papers/M&A/Cartwright%20%20Cooper%20\(1993\).pdf](http://karhen.home.xs4all.nl/Papers/M&A/Cartwright%20%20Cooper%20(1993).pdf)

eMeter, A Siemens Business. (2014). *EnergyIP 8 – An Application-Centric Approach to Innovating Business Processes*. Retrieved June 17, 2014, from http://w3.siemens.com/smartgrid/global/SiteCollectionDocuments/Products_systems_solutions/Smart%20Metering/emeter/EM_073%20EnergyIP%208%20DS_FINAL-.pdf

eMeter, A Siemens Business. (2014). *EnergyIP Platform*. Retrieved June 18, 2014, from <http://www.emeter.com/products/energyip/benefits/>

Frost & Sullivan. (2011). *Utilities Push the Smart Water Metering Market in Europe*. Retrieved May 26, 2014, from <http://www.frost.com/prod/servlet/press-release.pag?docid=240769122>

Krampe, M. (2008). *Siemens to Acquire eMeter to Enhance Smart Grid Offering*. Retrieved June 16, 2014, from <http://www.emeter.com/company/news/2011-press-releases/siemens-to-acquire-emeter-to-enhance-smart-grid-offering/>